

PT. Charoen Pokphand Indonesia Tbk.

HOLD

Investment Consideration

Sales Higher QoQ

- CPIN maintained double digit sales growth of +16.3% YoY or +16.3% QoQ to IDR 14.1 trillion in the 4Q2021. Sales growth was boosted by broilers which recorded +34.8% YoY growth to IDR 7.87 trillion. Processed chicken also recorded +27% growth to IDR 1.85 trillion. Feed and DOC sales decreased -5.1% YoY and -33.3% YoY respectively in 4Q2021.
- In term of EBIT margin, Broiler margins were still negative at -1.5% from 13.4% in 4Q2020, but that's better compared to 3Q2021's -28%. Feed and processed chicken EBIT margins also fell to 22% and 6.4% due to higher raw material price in 4Q2021 while DOC margins increased to 70% from 18% in 4Q2020.
- For 2021FY, CPIN recorded sales of IDR 51.69 trillion which is double digit growth of +21.6% YoY with Broiler and processed chicken positive growth of 9.9% and 11% respectively.
- Broiler prices decreased from July – November but gradually increased in December in line with a recovery in demand. For 2022F, we are targeting 9.8% YoY sales growth to IDR 56.7 trillion.

4Q2021: Bottom-line recovery

- After a loss in 3Q2021, CPIN recorded a net profit in 4Q2021 of IDR 941 billion, with a NPM at 6.7%, lower compared to 4Q2020's 13.1%.
- For 2021FY, CPIN recorded a net profit of IDR 3.62 trillion, which is a decrease of -6% YoY as the net profit margin decreased to 7.0% from 9.0% in 2020.
- Cost of sales increased +29.7% YoY or +4.3% QoQ to IDR 11.9 trillion in 4Q2021 because of higher raw material prices (Soy Bean Meal, Corn). Gross profit decreased -26% YoY but was higher by +216% QoQ to IDR 2.17 trillion with a lower gross profit margin of 15.4% from 24% in 4Q2020.
- CPIN recorded an operating profit of IDR 1.45 trillion after an operating loss in 3Q2021 of IDR -246 billion.
- As commodity prices (SBM and Corn) continue to increases, we expect margins to contract in 2022F, However, for the bottom line, we still expect CPIN's profit will reach IDR 3.85 trillion which is 6% growth.

Valuation: TP 5,765, 15% upside

- We downgrade or recommendation to Hold because of margin contraction due to higher commodities prices.
- We are targeting CPIN to trade at a 26x 2022F PE within a year. Target Price is IDR 5,765 which represents 15% upside. We recommend Hold.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales (In IDR Bn)	49.367	53.958	42.501	42.519	51.698	56.761	62.325
Net Income (In IDR Bn)	2.498	4.554	3.645	3.842	3.617	3.850	4.227
EPS (IDR)	152	278	222	234	221	221	230
GPM (%)	12,7%	16,9%	18,8%	19,4%	15,7%	15,5%	15,5%
OPM (%)	7,5%	12,0%	11,6%	12,1%	9,5%	9,3%	9,3%
NPM (%)	5,1%	8,4%	8,6%	9,0%	7,0%	6,8%	6,8%
Net debt/ equity (x)	0,2	0,1	0,2	0,1	0,2	0,2	0,3

Source: Company and Binaartha

27 April 2022
Basic Industry – Poultry

Price	IDR	5,025
Target Price	IDR	5,765
JKSE Index		7,232.153



Stock Information

Bloomberg Code	CPIN IJ
Market Cap (IDR bn)	82,399
52-week high (IDR)	7,625
52-week low (IDR)	4,890
Shares issued (mn)	11,726.6
6-m avg. daily Val (IDR)	6,257
Free float	44.5%

Major share holders

PT Charoen Pokphand	55.5%
Indonesia Group	
Public	44.5%

USD/ IDR – YE (IDR)

2021	14,300
2022F (6m-avg)	14,350

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Company Profile

PT Charoen Pokphand Indonesia Tbk. (CPIN) is Indonesia’s largest producer of poultry. The company was founded in 1972 by Charoen Pokphand Group and became publicly listed in 1991. The company has several business segments, the biggest contributor is feed, followed by broiler, day old chicks (DOC), processed chicken, and others, which consist of packaging, poultry equipment and others.

In the processed chicken business, the company has developed several leading brands such as GOLDEN FIESTA, FIESTA, CHAMP and OKEY, with various products, such as Karage, Nugget, Spicy Wing, Sausage and others.



Source: CP Food

Table: CPIN Income Statement Results QoQ and YoY

Income Statement (In IDR Bn)	1Q2021	2Q2021	3Q2021	4Q2021	QoQ	4Q2020	YoY
Sales	12.405	13.064	12.124	14.105	16,3%	12.127	16,3%
Cost of Sales	-9.800	-10.391	-11.436	-11.932	4,3%	-9.201	29,7%
Gross Profit	2.605	2.673	688	2.173	216,0%	2.926	-25,7%
Operating Expenses	-706	-849	-934	-715	-23,4%	-873	-18,1%
Operating Profit	1.899	1.824	-246	1.458	492,2%	2.052	-29,0%
Other Income (Expenses)	-76	-79	-60	-85	41,3%	-79	7,0%
PBT	1.823	1.744	-306	1.373	348,1%	1.973	-30,4%
Tax	-368	-366	148	-429	-389,7%	-379	13,2%
NIAT	1.455	1.378	-158	944	496,4%	1.594	-40,8%
Non-controlling Interest	0	-1	1	-3	-335,5%	-6	-53,7%
Net Income	1.455	1.378	-157	941	699,2%	1.588	-40,7%
EPS	89	84	-10	57	699,2%	97	-40,7%
GPM	21,0%	20,5%	5,7%	15,4%		24,1%	
OPM	15,3%	14,0%	-2,0%	10,3%		16,9%	
NPM	11,7%	10,5%	-1,3%	6,7%		13,1%	

Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales	38.257	49.367	53.958	42.501	42.519	51.698	56.761	62.325
Cost of Sales	-31.743	-43.116	-44.823	-34.526	-34.264	-43.559	-47.963	-52.664
Gross Profit	6.514	6.251	9.135	7.975	8.255	8.139	8.798	9.660
Operating Expenses	-2.096	-2.535	-2.647	-3.029	-3.117	-3.205	-3.519	-3.864
Operating Profit	4.417	3.716	6.488	4.946	5.138	4.934	5.279	5.796
Other Income (Expenses)	-433	-461	-581	-338	-370	-301	-341	-374
PBT	3.984	3.256	5.907	4.609	4.768	4.634	4.938	5.422
Tax	-1.732	-759	-1.356	-966	-922	-1.015	-1.086	-1.193
NIAT	2.252	2.497	4.552	3.642	3.846	3.619	3.852	4.229
Non-controlling Interest	-5	1	3	2	-4	-2	-2	-2
Net Income	2.221	2.498	4.554	3.645	3.842	3.617	3.850	4.227
EPS	135	152	278	222	234	221	221	230
EBITDA	5.399	4.573	7.310	5.912	6.074	5.943	6.371	6.884

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	2.498	4.554	3.645	3.842	3.617	3.850	4.227
Depreciation	821	890	856	863	981	975	1.034
Change in WC	-1.105	-1.694	648	416	-578	185	1.506
Cash From Operating Activities	2.214	3.750	5.149	5.121	4.020	5.010	6.767
Change in Non-current Asset	-1.236	-1.635	-3.422	-2.377	-3.085	-1.793	-2.630
Cash From Investing Activities	-1.236	-1.635	-3.422	-2.377	-3.085	-1.793	-2.630
Long-term liabilities	-566	-746	62	-878	-396	-473	-270
Others Noncurrent Liabilities	-170	507	-490	238	403	81	89
Equity	-952	-867	-2.140	-1.388	-1.817	-3.071	-3.378
Cash From Financing Activities	-1.689	-1.105	-2.568	-2.028	-1.810	-3.463	-3.560
Net Changes in Cash	-711	1.010	-841	716	-875	-246	577
Beginning Balance	2.504	1.793	2.803	1.961	2.678	1.803	1.557
Ending Balance	1.794	2.803	1.962	2.677	1.803	1.557	2.134

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	2.504	1.793	2.803	1.961	2.678	1.803	1.557	2.134
Trade Accounts Receivable	2.596	2.568	3.020	2.123	1.978	1.794	2.270	2.493
Inventories	5.110	5.697	5.835	5.812	5.693	7.655	6.811	6.856
Others Current Assets	1.608	1.663	2.440	3.100	3.183	4.462	4.541	4.363
Total Current Assets	11.818	11.721	14.098	12.996	13.532	15.715	15.180	15.845
NONCURRENT ASSETS								
Fixed Assets	11.234	11.009	11.685	13.522	14.494	16.256	17.231	18.265
Breeding Cattles	242	347	501	648	632	634	696	764
Other Noncurrent Assets	912	1.445	1.361	1.943	2.502	2.842	2.622	3.116
Total Noncurrent Assets	12.387	12.802	13.547	16.113	17.627	19.731	20.548	22.145
TOTAL ASSETS	24.205	24.523	27.645	29.109	31.159	35.446	35.728	37.990
LIABILITIES AND EQUITY								
LIABILITIES								
CURRENT LIABILITIES								
Short-term Bank Loans	1.400	1.750	1.700	2.770	2.770	4.587	4.587	5.587
Trade Account Payable	1.745	1.791	2.195	1.825	1.894	1.572	1.726	1.870
Others Current Liabilities	2.405	1.519	838	525	692	1.677	1.419	1.870
Total Current Liabilities	5.550	5.060	4.733	5.120	5.356	7.836	7.732	9.326
NONCURRENT LIABILITIES								
Long-term liabilities	516	590	571	633	705	279	306	336
Long-term Bank loan	3.646	3.005	2.278	2.278	1.328	1.358	858	558
Others Noncurrent Liabilities	336	165	672	183	420	823	904	993
Total Noncurrent Liabilities	4.497	3.760	3.521	3.093	2.453	2.460	2.068	1.887
TOTAL LIABILITIES	10.048	8.820	8.254	8.213	7.810	10.296	9.800	11.213
Non-controlling interest	19	18	15	13	17	15	22	24
EQUITY	14.138	15.685	19.376	20.883	23.333	25.135	25.906	26.752
TOTAL LIABILITIES & EQUITY	24.205	24.523	27.645	29.109	31.159	35.446	35.728	37.990

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)							
Sales	29,0%	9,3%	-21,2%	0,0%	21,6%	9,8%	9,8%
OP	-15,9%	74,6%	-23,8%	3,9%	-4,0%	7,0%	9,8%
EBITDA	-15,3%	59,9%	-19,1%	2,7%	-2,1%	7,2%	8,1%
NP	12,5%	82,3%	-20,0%	5,4%	-5,9%	6,4%	9,8%
EPS	12,5%	82,3%	-20,0%	5,4%	-5,9%	0,3%	3,8%
Profitability (%)							
Gross Margin	12,7%	16,9%	18,8%	19,4%	15,7%	15,5%	15,5%
Operating Margin	7,5%	12,0%	11,6%	12,1%	9,5%	9,3%	9,3%
EBITDA margin	9,3%	13,5%	13,9%	14,3%	11,5%	11,2%	11,0%
NET Profit margin	5,1%	8,4%	8,6%	9,0%	7,0%	6,8%	6,8%
ROA	10,2%	16,5%	12,5%	12,3%	10,2%	10,8%	11,1%
ROE	15,9%	23,5%	17,5%	16,5%	14,4%	14,9%	15,8%
Solvability (x)							
Net debt/ equity	0,2	0,1	0,2	0,1	0,2	0,2	0,3
Tot. debt/ Tot.equity	0,6	0,4	0,4	0,3	0,4	0,4	0,4
Debt Ratio	0,4	0,3	0,3	0,3	0,3	0,3	0,3
Liquidity (x)							
Current Ratio	2,3	3,0	2,5	2,5	2,0	2,0	1,7
Cash Ratio	0,4	0,6	0,4	0,5	0,2	0,2	0,2
Per Share data (IDR)							
EPS	152	278	222	234	221	221	230
BV	957	1.182	1.274	1.423	1.533	1.489	1.454
EBITDA/share	279	446	361	370	362	366	374

Source: Company and Binaartha

Stock Ratings:

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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